

Message Text

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ACTION INR-07

INFO OCT-01 EUR-12 EA-07 IO-11 ISO-00 SP-02 USIA-06 AID-05

EB-07 NSC-05 CIEP-01 TRSE-00 SS-15 STR-04 OMB-01

CEA-01 CIAE-00 XMB-02 AGR-05 COME-00 FRB-03 /095 W

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P R 121636Z MAR 76

FM AMEMBASSY VIENNA

TO SECSTATE WASHDC PRIORITY 8010

INFO AMEMBASSY BERLIN

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

USMISSION GENEVA

AMEMBASSY THE HAGUE

AMEMBASSY HELSINKI

AMEMBASSY LONDON

AMEMBASSY MOSCOW

USMISSION NATO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY PRAGUE

AMEMBASSY ROME

AMEMBASSY SOFIA

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

AMEMBASSY WARSAW

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EO 11652: N/A

TAGS: EEW, EFIN, EINV, ETRAD, XG, XT

SUBJ: FINANCING EASTERN EUROPE'S TRADE WITH THE WEST

REF: STATE 038308

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1. SUMMARY: WE HAVE NOT FOUND EVIDENCE IN VIENNA THAT EASTERN EUROPEAN COUNTRIES HAVE REQUESTED RESCHEDULING OF BANK LOANS OR CREDITS OR OF ANY CREDIT-RELATED SLOWDOWNS IN IMPORTS FROM THE WEST. THERE IS SOME EVIDENCE OF TIGHTENING UP OF HARD CURRENCY ALLOCATIONS TO HUNGARIAN TOURISTS FOR TRAVEL TO WEST. A POLISH FTO HAS STALLED ON HARD CURRENCY PAYMENTS. WESTERN BANKERS AND BUSINESSMEN CONTINUE TO REGARD EASTERN EUROPEAN COUNTRIES AS CREDITWORTHY. END SUMMARY.

2. WE HAVE SURVEYED LOCAL BANKING COMMUNITY INCLUDING AUSTRIAN KONTROLLBANK, AUSTRIAN NATIONAL BANK, AND EAST-WEST TRADE SPECIALISTS IN AMERICAN BANKS IN VIENNA. WE ALSO HAVE DISCUSSED SUBJECT WITH SELECTED MEMBERS OF EAST-WEST TRADING COMMUNITY FOR EVIDENCE THAT USSR OR INDIVIDUAL EE COUNTRIES ARE STRAINING UNDER HARD CURRENCY SHORTAGES TO EXTENT WHICH MAY PORTEND REQUESTS FOR RESCHEDULING OF LOANS.

3. AUSTRIAN KONTROLLBANK DIRECTOR GENERAL HELMUT HASCHEK TOLD EMBOFFS THAT HIS AGENCY EXTENDED MORE THAN 50PERCENT OF ITS EXPORT CREDITS AND QUARANTIES TO COMECON STATES AND REGARDED ALL EAST EUROPEAN MEMBERS AS GOOD CREDIT RISKS. HE INDICATED THAT HE HAD A HIGH PERSONAL REGARD OF SEVERL OF THE EASTERN EUROPEAN MONETARY AUTHORITIES, IN PARTICULAR DR. JANOS FEKETE, 1ST VICE PRESIDENT, HUNGARIAN NATIONAL BANK. HASCHEK SAID KONTROLLBANK HAD WORKED OUT SAFISFACTORY DEBT RESCHEDULING AGREEMENT WITH NORTH KOREA AND DID NOT HAVE INFO THAT ANY EAST EUROPEAN COMECON STATES WERE EXPERIENCING DIFFICULTIES IN MEETING THEIR DEBT OBLIGATIONS. HE FELT THAT IN AN UNEXPECTED CRUNCH SOVIETS WOULD COM TO AID OF MOST EAST EUROPEAN COUNTRIES, WITH POSSIBLE EXCEPTION OF ROMANIA. FOR THIS REASON AND BECAUSE OF ITS LOW LEVEL OF DEVOLOPMENT, HE REGARDED ROMANIA AS A SLIGHTLY LESS GOOD CREDIT RISK. HASCHEK SAID HE WOULD PROVIDE EMBASSY WITH KONTROLLBANK FIGURES ON ITS CREDITS TO EAST EUROPEAN COUNTRIES (WILL POUCH WHEN RECEIVED). NO OVERALL FIGURES ON AUSTRIAN CREDITS TO EAST EUROPEAN COUNTRIES ARE PUBLICLY AVAILABLE.

4. AUSTRIAN NATIONAL BANK (ANB) OFFICIALS, WITH WHOM EMBOFF ALSO DISCUSSED MATTER, GENERALLY SHARED KONTROLLBANK VIEW LIMITED OFFICIAL USE

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THAT EAST EUROPEAN COUNTRIES REMAIN GOOD CREDIT RISKS. THEY ADMITTED THAT A NUMBER OF EAST EUROPEAN COUNTRIES WOULD FACE SOMETHING OF A HARD CURRENCY SQUEEZE OVER NEXT FEW YEARS BUT FELT THAT ALL WOULD TAKE THE NECESSARY MAESURES TO MAINTAIN THEIR EXCELLENT CREDIT REPUTATIONS. ANB OFFICIALS BELIEVED THAT POLAND WOULD PROBABLE BE IN THE TIGHTEST SITUATION IN VIEW OF ITS LARGE ACCUMULATED DEBT, BUT HELD THE VIEW THAT IT, TOO, WOULD COME THROUGH ALL RIGHT--WITH

SOVIET HELP IF NEEDED. ANB EXPERTS DID NOT SEEM PARTICULARLY CONCERNED ABOUT ROMANIA, WHICH THEY NOTED HAD ACCESS TO IMF ASSISTANCE.

5. SOURCES IN AMERICAN BANKS IN VIENNA WHICH FINANCE EAST-WEST TRADE ARE KEENLY INTERESTED IN DETAILS OF GROWING HARD CURRENCY INDEBTEDNESS OF COMECON COUNTRIES BUT BELIEVE ALL REMAIN BASICALLY CREDITWORTHY. EAST-WEST TRADE SPECIALIST IN CHASE MANHATTAN BANK STATED THAT SOVIETS WERE QUOTE VERY SENSITIVE UNQUOTE AND REACTED WITH SOME ANNOYANCE IN MOSCOW AND NEW YORK TO \$32 BILLION ESTIMATE OF COMECON HARD CURRENCY INDEBTEDNESS BY CHASE ECONOMIST LAWRENCE BRAINARD WHICH WAS RECENTLY PUBLISHED.

6. RE CREDITWORTHINESS OF USSR AND EE COUNTRIES, CHASE REP SAID HE REGARDS ALL AS GENERALLY GOOD RISKS ALMOST ON PAR WITH SOME WESTERN EUROPEAN COUNTRIES. CRITERIA FOR THIS JUDGMENT IS A FORFAIN DISCOUNT RATES PAID BY PURCHASERS WITHOUT RECOURSE OF USSR OR EE GUARANTIES OR NOTES. RATES SHOW MARKET JUDGES USSR AND HUNGARY TO BE MOST CREDITWORTHY AT 9PERCENT DISCOUNT RATE, FOLLOWED BY BULGARIA, CZECHOSLOVAKIA AND GERMAN DEMOCRATIC REPUBLIC AT 9 AND A QUARTER PERCENT

THEN POLAND AND ROMANIA AND 9 AND A HALF PERCENT. AS STANDARD OF COMPARISON DISCOUNT FOR AUSTRIA, NETHERLANDS AND SWITZERLAND IS ABOUT 8 PERCENT AND YUGOSLAVIA IS 12PERCENT.

7. REQUESTS FOR RESCHEDULING. BANKING COMMUNITY IS UNAWARE OF ANY REQUESTS FOR RESCHEDULING OF USSR OR EE LOANS MADE THROUGH WESTERN BANKS.

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8. REPORTEDLY POLISH FTO POLIMEX HAS ADOPTED PRACTICE OF USING MINOR DIFFERENCES OVER CONTRACT PERFORMANCES AS EXCUSES FOR UNREASONABLE DELAYS IN PAYING CONTRACT TERMS. PHILLIPS PETROLEUM CORP (75 VIENNA 7309) AND A. EPSTEIN & CO HAVE EXPERIENCED SUCH TACTICS.

8. WE UNDERSTAND FROM A HUNGARIAN SOURCE THAT GOH IS MAKING IT MORE DIFFICULT FOR HUNGARIANS TO OBTAIN PERMISSION TO MAKE TOURIST TRIPS TO WEST. IN ONE CASE A GROUP TRIP TO JAPAN BY SOVIET AIRLINE WHICH WAS BILLED TO TRAVELLERS AS NOT COUNTING AGAINST TRAVEL TO HARD CURRENCY AREA HAS BEEN REDEFINED AS COUNTING AS SUCH A TRIP THUS BARRIN APPLICAN FROM ANOTHER TRIP TO HARD CURRENCY AREA FOR THREE YEARS.

9. WE ARE POUCHING (FOR EUR/EE) SOME MATERIALS FROM EWTDO

FILES WHICH DEPARTMENT POSSIBLY MAY NOT HAVE.BUCHANAN

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